

Notice No.: 83-003

Date: May 25, 1983

Applies to: Personnel/Payroll Officers
Public Employees' Retirement System (PERS)

Subject: Rehiring PERS Retirees

This notice updates and replaces DRS Notice No. 80-011, dated November 10, 1980. This update is due in part to the passage of departmental request legislation in 1982 eliminating mandatory retirement at age 70. Further, there are no longer prohibitions against hiring in PERS due to age. The changes became effective July 1, 1982.

Please explain to any retiree who is considering part time employment with your department the potential financial risk involved in accepting employment with a PERS participating agency. This is especially important for retirees who retired under the early retirement act of 1982 since they may not re-retire under the early retirement provisions since the act only extended through December 31, 1982.

To assist you in understanding the potential hazards of reemployment following retirement with the intent of continuing a PERS retirement allowance, please review the attached Example 1 carefully. Examples 2 through 4 may help you in responding to other retiree inquiries.

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Director

Attachment

EXAMPLE 1:

After retiring from PERS Plan I, I was rehired in my previous position, under the provisions of RCW 41.40. 120(12), to train my replacement. I am now in my seventh month of employment and have been working 70 or more hours each month since being rehired.

Question: Can I continue to receive my retirement allowance and continue to be employed?

Answer: Upon entering your seventh month of eligible employment, your retirement allowance will cease. You will be billed for all retirement benefits received during your period of reemployment. In addition, you and your employer will also owe retroactive contributions from the first day of qualifying service after your reemployment.

Statutes: RCW 41.40.120(12) and RCW 41.40.150(4)(a).

Comment: If you rehire a retiree under the provisions of RCW 41.40.120(12), please inform the person at the time of rehire of the potential financial risk involved should the individual exceed six consecutive months of eligible employment.

Please remind your employees who have retired and then reenter membership that when they are ready to retire again, it is desirable that they apply in writing to this department for their retirement benefit not less than 30 days, nor more than 90 days, prior to their intended retirement date.

EXAMPLE 2:

I am a PERS Plan I retiree and have been offered employment which will require that I reenter PERS membership should I accept.

Question: While I understand that my retirement allowance will cease during my period of reemployment, will my benefits change when I re-retire?

Answer: It all depends on the length of your reemployment. Two years or more of uninterrupted service will qualify you to:

- (a) Have your average final compensation recalculated based on your period of reemployment assuming the salary is higher;
- (b) Receive service credit for the period;
- (c) Change your retirement option;
- (d) Designate a new beneficiary to receive a continuing survivor allowance in the event of your demise;
- (e) Have your benefit reinstated under the 2% benefit formula if you retired under a pre-existing formula.

If you work less than two years, only your average final compensation can be adjusted (assuming your salary during the period of employment is higher). You may not receive a refund of contributions you paid in during the period of reemployment.

Statute: RCW 41.40.150(4)(a).

EXAMPLE 3:

I am a PERS Plan I member and I intend to retire next month, however, my employer would like me to work for four months after I retire in order to assist in training my replacement.

Question: Am I entitled to my retirement allowance during the transition period plus being paid for the period by my employer?

Answer: It depends on how you are rehired. To avoid PERS re-entry, your employer must hire you under one of the following:
(a) On a fee, retainer or contract basis;
(b) Hire you as a temporary employee in an eligible position.

Statutes: In order listed above:
(a) RCW 41.40.120(9).
(b) RCW 41.40.120(12).
(c) RCW 41.40.150(4)(a).

Comment: However, you should carefully weigh the financial advantages of a short-term windfall versus a long-term potential increase in your benefits before terminating if you would have the option of staying in membership during the transition period.

If one or more of the following are applicable, it may be to your advantage to continue in service during the transition period:

- (a) You will have less than 30 years of membership service at the time of retirement and are retiring under the 2% formula (60% maximum benefit);
- (b) The salary you will receive during your transition period is greater than your salary at any point in your current highest two years of service;
- (c) Your current annual leave accrual (or similar ancillary compensation that is allowed to be included in the calculation of your benefit) is less than the maximum allowed.

EXAMPLE 4:

I have retired under PERS Plan II.

Question: Is it true that even though the public employer for whom I intend to work is not a participating agency under PERS, my retirement allowance will cease during my period of service (employment)?

Answer: Yes. If you are performing services for any non-federal public employer in the State of Washington, your retirement allowance will cease during the period of service (employment). Upon termination of your service, your benefits will be actuarially recomputed (pension adjusted upward).

Statute: RCW 41.40.690.